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“
SUPERTEST
”
TRADE MARK.

PETROLEUM CORPORATION LIMITED

DIRECTORS'
REPORT

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JUN 15 1934
McGILL UNIVERSITY

FOR THE YEAR ENDING DECEMBER 31st 1946

BALANCE SHEET AS AT 31st DECEMBER, 1946

ASSETS

CURRENT		\$ 1,976,636.51
	Cash on hand and in Bank.....	\$ 266,728.70
	Accounts Receivable	1,189,956.54
	Inventories — Merchandise.....	455,487.43
	Supplies and Prepaid Expenses.....	29,765.41
	Life Insurance (Cash Surrender Value).....	34,698.43
		\$ 1,976,636.51
FIXED		8,934,808.74
	Real Estate, Buildings and Equipment.....	\$ 6,614,577.00
	Book Value of Loans and Investments, including Investment in Subsidiaries and advances to Trustees for the purchase of stock to be held for the benefit of employees.....	1,894,676.94
	Mortgages Receivable	425,554.80
		\$ 8,934,808.74
GOODWILL, COPYRIGHTS, TRADEMARKS		1.00
		\$10,911,446.25

LIABILITIES

CURRENT		\$ 1,848,478.63
	Accounts Payable	\$ 1,295,298.37
	Accrued Charges including provision for Government Taxes	547,180.26
	Mortgages Payable	6,000.00
		\$ 1,848,478.63

RESERVES

SPECIFIC		4,083,716.01
	Reserve for Depreciation.....	\$ 3,284,066.38
	Reserve for Doubtful Accounts.....	70,570.31
	Reserve to provide for Commissions, Contingencies, Post-War Rehabilitation, and development.....	729,079.32
		\$ 4,083,716.01

CAPITAL

AUTHORIZED		
	Preferred Stock "B" — 7,841 shares par value \$25.00	
	Common Stock — 25,000 shares of no par value	
	Ordinary Stock — 275,000 shares of no par value	
ISSUED AND OUTSTANDING		4,979,251.61
	Preferred Stock "B" — 7,841 shares.....	\$ 196,025.00
	Common Stock — 25,000 shares.....	25,000.00
	Ordinary Stock — 85,000 shares.....	878,814.50
		\$ 1,099,839.50
	Surplus	3,879,412.11
		\$ 4,979,251.61
		\$10,911,446.25

We have completed an audit of the books of account and vouchers of Supertest Petroleum Corporation Limited for the year ended 31st December, 1946, and have prepared the above Balance Sheet which, in our opinion, is properly drawn up so as to reflect in a fair manner the financial position of the Company as on 31st December, 1946, according to the best of our information, the explanations given us and as shown by the books of the Company.

All our requirements as Auditors have been complied with.

WM. C. BENSON & CO., Chartered Accountants.

INCOME AND SURPLUS ACCOUNT

	1946	1945
Net Earnings from operations.....	\$ 1,373,016.80	\$ 837,798.43
LESS — Reserve for Government Taxes.....	650,000.00	375,000.00
Net Profit.....	\$ 723,016.80	\$ 462,798.43
LESS — Dividends Paid	231,731.50	176,739.00
Previous Surplus	\$ 491,285.30	\$ 286,059.43
	3,388,126.81	3,102,067.38
Balance carried forward.....	\$ 3,879,412.11	\$ 3,388,126.81

SUPERTEST PETROLEUM CORPORATION LIMITED

To the Shareholders:

The past year has been one of pronounced activity and sales were at the highest level in the history of your Company.

Factors which brought this about would appear to be the high tempo of business generally and the aggressive policy which had been formulated by your Company during the latter stages of the war to secure its share of petroleum business in the postwar years.

Net Earnings at \$723,016.80 are higher than in the previous year. A notable portion of the increase resulted through the aggressive development of the Tire and Accessories Department and the establishment of a department for the sale of Oil Burners in accordance with the Company's postwar policy.

The postwar period, while bringing expanded sales, has, however, brought with it many problems, principally in the form of shortage of materials and supplies, high taxes and increased costs of all kinds.

Your Directors are concerned with the pressure which is apparent in a business such as this (in which development and replacement are continuous) between high corporation taxes and inflated values.

In the prewar period your Company, throughout its history, carried on its development in a conservative manner and its growth took place within its income. It has become apparent during the past year, however, that it will not be possible to continue development on that basis. The reason is obvious. It will be recalled that in 1939 corporation taxes were 20%. In 1946 they were more than double. Costs of construction, equipment, etc., were approximately 75% higher than in prewar years. Thus the impact of high corporation taxes and inflation upon development is apparent.

Your Company, therefore, is faced with two choices — either to curtail its growth as carried on in prewar years, or to mortgage the future. An effort will be made to find a middle ground.

It is hoped that the forthcoming budget will bring substantial relief in the field of corporate taxation and this, of course, would improve the outlook for the future.

There seems no doubt that the period which lies ahead will be one of extensive road transport and of increased tourist traffic, and looking forward to a downward adjustment in construction and equipment costs and to lower corporation taxes, your Directors continue to have the same confidence in the future growth of petroleum marketing in Canada as in the past.

It is for this reason, and in view of the higher earnings in the year under review, that the dividend on the Common and Ordinary shares was increased during the year.

Since the cessation of hostilities, much progress has been made in the rehabilitation of the Company's personnel. The many employees who served in the Armed Forces have been reinstated with the Company and we express our thanks to all employees for their loyal service during the past year.

On behalf of the Board,

J. G. THOMPSON

President.

April, 1947.

